

STUDY ON USAGE OF DIGITAL PAYMENT APPLICATIONS IN INDIA

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ABSTRACT

For a long time, the world has been moving toward all things digital. However, the year 2020 highlighted the urgent need to embrace new technologies as soon as possible. With the implementation of the lockdown, this adaptation happened almost instantly, particularly in India for digital payments. The Indian government has been promoting and propagating online payments sharply, beginning with demonetization back in 2016. 'Digital India' has been the spirit of the many economic and financial decisions that pushed Indians to modify online payments. In a country like India, where disparities are sometimes different, ensuring financial equality becomes a problem of prime importance. This study analyses the usage of Digital Payment Applications and the challenges faced by users. The findings show that 1/3 of the respondents in the age group 25-35 have been personally impacted by fraud, data theft, etc. There is a need to create awareness about the precautions to be taken so that the users are not victimized due to fraudulent activities.

KEYWORDS: Digital India, Demonetization, Cashless Economy & Payment App

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1. INTRODUCTION

The Banking and financial services sector has witnessed a revolution in the last two decades. Time and place are no longer the constraints for using the services of the bank and the current generation does not visit the physical bank branches for day-to-day transactions. Branch operations have completely changed drastically with emerging digital channels. Lending loans and accepting deposits are not the only services offered by banks today. The entire nature of the services provided by the banks has changed with the introduction of new technologies. Fintech, a combination of the words “financial” and “technology,” is a relatively a term, refers to the technology that drives financial services today. The Fintech segment has been witnessing the increased application of innovative technologies. Demonetization and Covid-19 have accelerated the process of digital payment in India. India has quite 100 crore active mobile connections and more than 50 crore smartphone users as of March 2020, which is one of the biggest drivers for the boom of digital payment systems in India. The cashless transition is not only safer than the cash transaction but is less time-consuming. It also helps in creating a record of all the transactions done. The number of users using these apps is increasing significantly day by day. The wallet facility of these apps attracts many users. Flagship initiatives by the government like Digital India, Cashless India and the announcement of demonetization on 8th November 2016 were the turning point for the Indian fintech industry.

2. FINTECH IN INDIA

The Indian fintech market has been witnessing exponential growth, owing to the government's digital push through demonetization, Jan Dhan Yojana, Aadhaar and Unified Payment Interface (UPI). Further, the social distancing mandate (to reduce the spread of COVID-19) by the Indian government has led to a higher proportion of contactless

modes of transactions[Fintech Market Study Reports].Digital payment services offer convenience, ease of transactions and security while transacting. In FY 2020, the Indian e-payment solutions market recorded 45.72 billion transactions, which is expected to reach 394.93 billionn by FY 2025, expanding at a compound annual growth rate (CAGR) of ~60.54% during the FY 2021-FY 2025 period. Integration of payment services in popular non-banking mobile applications such as WhatsApp, Apple Pay, Amazon Pay and Ola Money, among others, is also driving e-payments, especially among the millennial population in India [E-payment Solutions Market Study Reports].

3. REVIEW OF LITERATURE

Several researchers have analyzed the factors driving the growth of digital payments in India. **Pushpa Bhatt (2019)** has assessed the digital payments market and its various segments. Behavioral aspects of these segments have been studied to provide insights on business opportunities for service providers[1]. **Hyma Goparaju (2020)** has reviewed the digital payment sector in India, calling it a sunrise industry in those technological innovations in mobile devices and financial applications ('apps') would drive the adoption of digital payments and also it analyzed the Porter's five forces Analysis of Digital Payment Sector in India Drivers promoting digital payments through mobile apps are (1) Smartphone adoption, (2) Developed financial infrastructure, and (3) Consumer interest in payment innovation [2].**Sanghita Roy and Dr. Indrajit Sinha (2014)**found Innovation, incentive; customer convenience and legal framework are the four factors which contribute to strengthen the E- payment system [3].**Rakesh H M & Ramya T J (2014)** tried to examine the factors that influence internet banking adoption [4]. **Dr. Kota Sreenivasan Murthy (2019)** observedthat Digital payments bring in recondition transparency, scalability, and accountability [5]. RBI's effort to encourage these new kinds of payment and settlement facilities aims to achieve the goal of a 'cashless' society. **Ridam Verma and Rishi Manrai (2019)** have studied the impact of Demonetization on digital payments [6]. A Pre and post digitization effect on cash and non-cash transactions has been done by **Aniruddha Ghosh and Ashish Srivastav (2019)** [7]. The studies also covered the payment applications like Bharat Interface for Money (BHIM), Paytm, etc. **Tejinder Singh (2020))** [9]&**Dr. Akanksha Khanna, et al (2020)** [10].In this research, an attempt has been made to study the user preference and challenges faced in using digital technology and payment applications.

4. STUDY ON DIGITAL PAYMENT APPLICATIONS

For this research study, a survey method has been employed to determine the usage of digital payment apps in India. A structured questionnaire consisting of 15 questions was designed for this study. However, a number of questions have been constructed exclusively to address key issues that have not been covered in earlier studies for the purpose of this research. The samples were selected on a random basis so that they could represent the whole population. Our target demographic ranges from 15 to 55 years old, and they come from a variety of age groups, family backgrounds, and professional backgrounds. The study was done during the month of April. We used the Quota sampling method and SPSS for the data analysis. The responses given by 87 users were analyzed and the same has been summarized in this study.

Table 1: Analysis of Profile of the Respondents by Age Group

Age Group	Frequency	Percentage
15-25	45	52%
25-35	18	21%
35-45	15	17%
45-55	9	10%
Total	87	100%

52% of the respondents are in the age group 15-25 years and 10% of users are in the age group 45-55 years.

Table 2: Analysis of Profile of the Respondents by Gender

Gender	Frequency	Percentage
Male	52	60%
Female	35	40%
Total	87	100%

40% are females which indicate digital usage rate is higher in males.

Table 3: Analysis of Profile of the Respondents by Location

Location	Frequency	Percentage
Metropolitan: 10 lakh and above	25	29%
Urban: 1 lakh and above and less than 10 lakhs	45	51%
Semi-Urban: 10,000 and above and less than 1 lakh	13	15%
Rural: population less than 10,000	4	5%
Total	87	100%

Users from Metropolitan cities and urban areas constitute 80% while users in rural areas are just 5% of the population.

Table 4: Analysis of usage of Mobile apps for Payment – by Age

Age Group	Usage of Payment Apps			Total	%
	Never	Occasionally	Regular		
15-25	0	6	39	49	52%
25-35	0	2	16	18	21%
35-45	0	5	10	15	17%
45-55	2	2	5	9	10%
Total	2	15	70	87	100%
Percentage	2%	17%	80%	100%	

Age groups 15-35 are the most active in using Payment Apps constituting 73% of population. In group 45-55 people still hesitant to go for payment apps which indicate that age group being a driving factor for the growth of digitalization.

Table 5: Analysis of usage of Mobile apps for Payment – by Location

Age Group	Usage of Payment Apps			Total	%
	Never	Occasionally	Regular		
Metropolitan	0	2	23	25	29%
Urban	1	6	38	45	52%
Semi-urban	0	5	8	13	15%
Rural	1	2	1	4	5%
Total	2	15	70	87	100%
Percentage	2%	17%	80%	100%	

61 out of 70 regular users (87%) of Payment Apps live in Metros and Urban areas.

Table 6: Analysis of usage of Mobile apps for Payment - by Gender

Age Group	Usage of Payment Apps			Total	%
	Never	Occasionally	Regular		
Male	1	9	42	52	60%
Female	1	6	28	35	40%
Total	2	15	70	87	15%

42 out of 70 regular users (60%) of Payment Apps are Male users.

Table 7: Preferred Payment app for Transfer of Money- Analysis by Age

	Preferred Payment app for Transfer of Money					
	Amazon Pay	BHIM	Google Pay	Paytm	PhonePe	Total
15-25	2	1	19	3	20	45
25-35	1	5	4	1	7	18
35-45	2	1	6	0	6	15
45-55	1	5	1	1	1	9
Total	6	12	30	5	34	87
Percentage	6%	14%	34%	6%	39%	100%

39% of respondent use PhonePe and 34% Google Pay among the 5 popular Apps for transfer of money. 39 out of 45 (87%) in the age group 15-25 use PhonePe or Google Pay. 5 out of 9 (55%) in the age group 45-55 use BHIM.

Table 8: Preferred Payment app for Payment of Bills - Analysis by Age

	Preferred Payment app for Payment of Bills					
	Amazon Pay	BHIM	Google Pay	Paytm	PhonePe	Total
15-25	3	7	14	5	18	45
25-35	0	5	7	4	10	18
35-45	2	2	3	2	4	15
45-55	1	5	2	1	1	9
Total	6	19	26	12	33	87
Percentage	6%	19%	27%	13%	34%	100%

PhonePe (34%) and Google Pay (27%) continues to be the Top 2 Apps for payment of bills also. However, the no. of users has more than doubled (6% to 13%) for Paytm for payment of bills.

5 out of 9 (55%) in the age group 45-55 use BHIM for payment of bills also.

Only 6% of those polled used Amazon Pay for both money transfers and bill payments.

Table 9: Motivation for Making Digital Payment through Apps

Age Group	Reward	Convenience	Compulsion	Others	Total
15-25	17	25	3	0	45
25-35	6	8	1	0	15
35-45	6	10	2	0	18
45-55	3	4	1	1	9
Total	32	47	7	1	87
	37%	54%	8%	1%	100%

54% of the respondents make digital payments using Apps. As there is no need to hold currency notes and the benefits like record of payment history, no need to keep change, etc. For 37% of the respondents, cashback and other rewards are the motivating factors for using Apps for payments.

Table 10: Bad Experience due to Fraud, Identity theft, etc. with Digital Payments

Age Group	Impacted Personally	Exposed Directly but Managed	Related to an Impacted Person	Not Exposed	Total
15-25	5	19	13	8	45
25-35	6	7	4	1	18
35-45	2	5	4	4	15
45-55	0	8	0	1	9
Total	13	39	21	14	87
	15%	45%	24%	16%	100%

We can see around 84% of respondents have faced digital fraud experiences. The advancement of digital payment apps in India increases the security threats, which may slow down the adoption of digital Apps. for payment systems.

We also observe that 1/3 of the respondents in the age group 25-35 have been personally impacted by Fraud, data theft, etc. None of the respondents in the age group 45-55 got damaged due to the risk associated with the usage of Apps.

5. LIMITATIONS

The study covers a very small population and the duration of the study is short. Hence the results may vary based on the timing, volume of samples and duration. We have considered customer preference in the study. There is a chance that the few responses may be biased based on personal experience.

6. CONCLUSIONS

The study reveals 87% of users of Payment Apps live in Metros and Urban areas. It shows the lack of awareness about digital payments in rural areas. 54% of users have been motivated to the payment Apps as it is very convenient. Rewards like Cashback are working well to promote digital apps. The advantages of using mobile apps can be highlighted to those in rural areas. We also observe that 1/3 of the respondents in the age group 25-35 have been personally impacted by Fraud, data theft, etc. It shows the need to create awareness about the precautions to be taken so that the users are not victimized due to fraudulent activities. The regulatory authorities need to ensure that a robust system is in place for digital payments to achieve transaction transparency, the eradication of black money, and long-term economic development through a cashless economy.

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